

~~SECRET~~

The Director of Central Intelligence  
Washington, D.C. 20505

NIC 03228-88  
27 October 1988

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

VIA: National Intelligence Officer for Warning

FROM: Martin W. Roeber  
National Intelligence Officer for Latin America

SUBJECT: Latin America Warning and Forecast Meeting  
October 1988

1. At the October Latin America Warning and Forecast Meeting, Intelligence community representatives reached the following judgments:

-- [Redacted]

-- In Panama, the economic decline appears to have slowed, but the government continues to build monthly arrearages that could lead to a collapse if mechanisms created for muddling through the crisis--such as the use of government checks as currency and delaying payments to creditors--falter. [Redacted]

-- In Haiti, President Avril has taken a number of steps to meet the demands of foreign donors, but his failure to win renewed assistance could result in another coup--with unpredictable results. Despite some rise in leftist sentiment, neither Cuba nor Nicaragua seems inclined to invest any effort in the badly splintered extremist ranks. [Redacted]

-- In Chile, moderates have emerged from the plebiscite in control of the opposition movement, but their position will erode in favor of the left if the Pinochet regime refuses to give ground on constitutional reform increasing the likelihood of stepped up violence. [Redacted]

**Page Denied**

SECRET 

25X1

25X1

### 3. Panama

Financial pressures on the regime continue as arrearages mount, but there is little likelihood the downturn will prompt large-scale unrest in the near term. While the government continues to build substantial monthly deficits and delays payments to creditors, the sharp declines in overall economic activity registered in past months appear to have slowed. Indeed, earlier dire predictions of sharp drops in the GDP next year have been revised upwards. Moreover, the regime will probably use the damage caused by hurricane Joan to justify another delay in paying workers' overdue annual bonuses, a move that will ease short-term financial pressures. In addition, the regime's sharp crackdown on opposition leaders will probably discourage demonstrations, at least for now.

25X1

In terms of managing the elections issue, the Intelligence Community believes Noriega has several options. He could:

- Decide to hold elections, putting himself or a surrogate forward as the government's candidate and using the time before the vote to undermine the opposition and develop mechanisms for manipulating the outcome.
- Opt for a plebiscite that could take a variety of forms ranging from whether the term of Acting President Solis Palma should be extended until 1992 or whether to postpone elections, capitalizing on anti-election sentiment among both pro- and anti-government forces that for different reasons see the rapidly approaching May date working against their interests.

25X1

The political opposition still seems inclined to participate in the May 1989 elections, should they take place. To justify their decision, some point to the Nicaraguan elections in 1984, in which the opposition declined to participate and eventually lost their legal status and any voice in the government. The Intelligence Community still believes that the government could not win a fair election against a unified opposition. Analysts agreed with the opposition view, however, that it would have to win by a margin of at least 30,000 votes to make electoral fraud impossible for the regime.

25X1

25X1

SECRET

25X1

Warning Issue: The economic decline appears to have slowed, but the government continues to build monthly arrearages that could lead to a quick collapse if regime mechanisms for middling through the crisis--such as the use of government checks and running arrearages with suppliers--falter.

25X1

25X1

#### 4. Haiti

Without economic assistance, President Avril's chances of holding power are substantially diminished. Avril's actions since assuming power in September, therefore, have been aimed at winning renewed foreign aid. He has moved against narcotics trafficking by retiring Col. Paul, seized a major shipment of cocaine, and invited DEA to return to Haiti. In the area of human rights, Avril has closed the most notorious prison in Haiti and, in terms of restoring democracy, has taken at least tentative steps toward scheduling elections. His lack of economic resources, however, continues to limit his maneuvering room within the military, and Avril faces continued pressure from within the armed forces. While the restoration of external assistance would not be any panacea, it would demonstrate to those who put Avril in power that he could do what his predecessors could not, thereby strengthening his hand in holding off potential plotters.

25X1

25X1

Warning Issue: Although Avril appears to be reasserting control over the military gradually, his hold on power remains tenuous and without renewed aid another coup--with unpredictable results--will become increasingly likely.

25X1

25X1

SECRET

25X1

25X1

## 5. Chile

The Chilean political landscape remains fluid in the wake of the government defeat in the 5 October plebiscite as both sides assess the results and map out longer-term strategies. At this juncture the conservative camp is trying to put the best face on the defeat pointing to the substantial--43 percent--number of "yes" votes and interpreting the defeat as a referendum on Pinochet himself and not on the gains made by the military since 1973. The center-right has moved away from Pinochet in an effort to put its own candidates in power next year. Pinochet himself is working to regain prestige and power within the military in the wake of his loss, trying to shift the blame to subordinates and holding frequent meetings with different groups within the armed forces. He also is still considering running as the government candidate, although there is growing sentiment against him within the ruling Junta. Nonetheless, the Junta will probably not ask Pinochet to resign either the presidency or his command of the Army, at least until after the December 1989 elections.

25X1

In assessing prospects, the Intelligence Community agrees that:

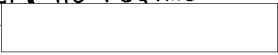
- The impending December to February vacation period will give both sides breathing space to work out internal differences and reduce tensions.
- The "no" vote forces will probably be able to maintain their unity for the next few months. The opposition has agreed to back one candidate--who will be selected from the Christian Democrats, possibly by early December--in the December 1989 election. The opposition also intends to press the regime for an earlier election date and for other constitutional reforms intended to reduce the influence of the military over the next government.
- If the moderates fail to make some headway with the regime on the issue of reforms, it will make their task of holding together much more difficult and probably prompt the Communists to abandon their moderate posture and resort to violence against the government.

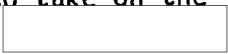
25X1


25X1

SECRET



-- If the opposition can remain unified, however, no regime candidate will be able to win the election. 

The Intelligence Community was divided, however, over whether Pinochet would be able to hold firm to his position not to enter into a dialogue with the opposition on constitutional reforms. Some analysts believe that Pinochet will be forced to make at least some concessions to the opposition and that he will not be able to stage-manage events because his weakened position will embolden other Junta members who support a moderate course. While a decision to move up the election date would be unlikely, Pinochet might be forced to agree to changes in the constitution in areas such as the amendment process or the composition of the Senate. Other analysts believe that Pinochet will be able to stand his ground, arguing that his power was only modestly affected by the defeat and that other Junta members will be disinclined to take on the President on these issues and prompt military infighting. 

Warning Issue: Moderates will probably lose ground to the far left--prompting an increase in violence--if Pinochet refuses to show flexibility on political reform. 



Martin W. Roeber